

**FINANCIAL STATEMENTS - REGULATORY BASIS
AND REPORTS OF INDEPENDENT AUDITOR**

**POTEAU SCHOOL DISTRICT NO. I-29,
LEFLORE COUNTY, OKLAHOMA**

JUNE 30, 2013

Audited by

**JACK H. JENKINS
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL CORPORATION
TULSA, OK**

**INDEPENDENT SCHOOL DISTRICT NO. I-29
LEFLORE COUNTY, OKLAHOMA
JUNE 30, 2013**

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**INDEPENDENT SCHOOL DISTRICT NO. I-29
LEFLORE COUNTY, OKLAHOMA
JUNE 30, 2013**

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**INDEPENDENT SCHOOL DISTRICT NO. I-29
LEFLORE COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2013**

BOARD OF EDUCATION

President	Crystal Walker
Vice-President	Kenneth Corn
Clerk	Beth Buchanan
Member	Ron Hall
Member	Matt McBee

SUPERINTENDENT OF SCHOOLS

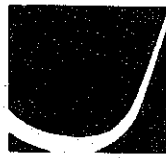
Dr. Don Sjoberg

MINUTES CLERK

Cindy Vocque

SCHOOL DISTRICT TREASURER

Jeremy Quarry



Jack H. Jenkins, CPA *A Professional Corporation*

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Poteau School District No. I-029
Poteau, Oklahoma 74953-2602

I have audited the accompanying regulatory basis financial statements of Poteau School District No. I-029, Poteau, Oklahoma, as listed in the table of contents as of and for the year ended June 30, 2013. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed by the Oklahoma State Department of Education that demonstrates compliance with the cash basis and budget laws of Oklahoma, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

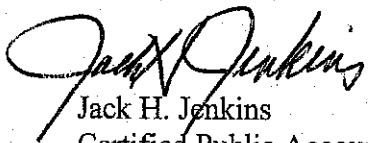
Also, as discussed in Note 1, the regulatory basis financial statements referred to above do not include the general fixed asset account group. The amount that should be recorded in the general fixed assets group is not known. If the general fixed assets account group had been included, the amount of the adjustments to the regulatory basis financial statements is not known.

In my opinion, because of the District's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to above do not present fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America, the financial position of Poteau School District No. I-029, Poteau, Oklahoma as of June 30, 2013, and the results of its operations for the year then ended.

However, in my opinion, except for the omission of the general fixed assets account group, which results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group, where applicable, of Poteau School District No. I-029, Poteau, Oklahoma, as of June 30, 2013, and the revenues collected and expenditures paid for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 27, 2013, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the regulatory basis financial statements that collectively comprise Poteau School District No. I-029's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis as required by the Oklahoma State Department of Education, and is not a required part of the financial statements. The combining fund statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis. This other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Jack H. Jenkins
Certified Public Accountant, P.C.

September 27, 2013

COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS

INDEPENDENT SCHOOL DISTRICT NO. 1-29, LEFLORE
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2013

ASSETS	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	ACCOUNT GROUP	TOTALS			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS			EXPENDABLE TRUST AND AGENCY FUND	GENERAL LONG-TERM DEBT	2013	2012 (Memorandum Only)
Cash	\$ 3,299,702	1,125,859	474,084	778	289,788			5,190,211	5,449,310	
Investments	1,000,000							1,000,000	1,000,000	
Amounts available in debt service							23,215	23,215	29,922	
Amounts to be provided for retirement of general long-term debt										
Total Assets	4,299,702	1,125,859	474,084	778	289,788	2,590,785		2,590,785	3,285,319	
						2,614,000		8,804,211	9,764,551	

LIABILITIES AND FUND EQUITY

Liabilities								1,853,698	2,119,068
Warrants payable	1,780,653	73,045						657,135	138,861
Encumbrances	278,680	377,677		778	289,788			289,788	209,764
Funds held for school organizations								450,869	482,202
Unmatured obligations			450,869						
Long-term debt:									
Bonds payable							1,765,000	1,765,000	2,275,000
Capital leases							849,000	849,000	1,040,241
Total liabilities	2,059,333	450,722	450,869	778	289,788		2,614,000	5,865,490	6,265,136
Fund Equity									
Cash fund balances	2,240,369	675,137	23,215	-				2,938,721	3,499,415
Total Liabilities and Fund Equity	\$ 4,299,702	1,125,859	474,084	778	289,788		2,614,000	8,804,211	9,764,551

The notes to the combined financial statements are an integral part of this statement

INDEPENDENT SCHOOL DISTRICT NO. 1-29, LEFTORE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2013

	<u>GOVERNMENTAL FUND TYPES</u>			<u>TOTALS</u>	
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>(Memorandum Only) 2013</u>	<u>2012</u>
Revenues					
Local sources	\$ 2,121,937	634,723	545,052	3,301,712	3,364,173
Intermediate sources	252,250			252,250	248,581
State sources	11,007,834	145,879		11,153,713	11,313,723
Federal sources	1,766,842	708,818		2,475,660	2,742,685
Non-revenue receipts	110,317	237		110,554	106,392
Total revenues	15,259,180	1,489,657	545,052	17,293,889	17,775,554
Expenditures					
Instruction	10,241,709	66,330		10,308,039	10,360,555
Support services	5,323,214	395,957		5,726,338	5,428,862
Operation of non-instructional services		1,147,633		1,147,633	1,063,703
Facilities, acquisition and const. services		2,970		11,220	255,499
Other outlays	79,328	195	551,759	79,523	43,938
Debt service				551,759	546,843
Repayments	68,750	144		68,894	47,046
Total expenditures	15,713,001	1,613,229	551,759	17,893,406	17,746,446
Revenues over (under) expenditures	(453,821)	(123,572)	(6,707)	(599,517)	29,108
Other financing sources (uses)					
Lapsed appropriations	32,331	1,655		33,986	113,593
Estopped warrants	282	4,555		4,837	2,028
Total other financing sources (uses)	32,613	6,210		38,823	115,621
Revenue and other sources over (under) expenditures and other uses	(421,208)	(117,362)	(6,707)	(560,694)	144,729
Cash fund balance, beginning of year	2,661,577	792,499	29,922	3,499,415	3,354,686
Cash fund balance, end of year	\$ 2,240,369	675,137	23,215	2,938,721	3,499,415

The notes to the combined financial statements are an integral part of this statement

INDEPENDENT SCHOOL DISTRICT NO. 1-29, LEFLORE
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - BUDGETED GENERAL FUND
JUNE 30, 2013

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 1,899,401	1,899,401	2,121,937
Intermediate sources	227,490	227,490	252,250
State sources	10,918,575	10,918,575	11,007,834
Federal sources	1,846,920	1,846,920	1,766,842
Non-revenue receipts	20,000	20,000	110,317
Total revenues	14,912,386	14,912,386	15,259,180
Expenditures			
Instruction	11,725,761	11,725,761	10,241,709
Support services	5,612,891	5,612,891	5,323,214
Other outlays	140,311	140,311	79,328
Repayments	95,000	95,000	68,750
Total expenditures	17,573,963	17,573,963	15,713,001
Revenues over (under) expenditures	(2,661,577)	(2,661,577)	(453,821)
Other financing sources (uses)			
Lapsed appropriations			32,331
Estopped warrants			282
Total other financing sources (uses)			32,613
Revenue and other sources over (under) expenditures and other uses	(2,661,577)	(2,661,577)	(421,208)
Cash fund balance, beginning of year	2,661,577	2,661,577	2,661,577
Cash fund balance, end of year	\$ -	-	2,240,369

The notes to the combined financial statements are an integral part of this statement

**INDEPENDENT SCHOOL DISTRICT NO. 1-29, LEFLORE
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS
JUNE 30, 2013**

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 584,445	584,445	634,723
State sources	147,965	159,662	145,879
Federal sources	636,025	636,025	708,818
Non-revenue receipts			237
Total revenues	<u>1,368,435</u>	<u>1,380,132</u>	<u>1,489,657</u>
Expenditures			
Instruction	54,633	66,330	66,330
Support services	459,850	459,850	395,957
Operation of non-instructional services	1,397,514	1,397,514	1,147,633
Facilities acquisitions and construction	247,387	247,387	2,970
Other outlays	300	300	195
Repayments	1,250	1,250	144
Total expenditures	<u>2,160,934</u>	<u>2,172,631</u>	<u>1,613,229</u>
Revenues over (under) expenditures	(792,499)	(792,499)	(123,572)
Other financing sources (uses)			
Lapsed appropriations			1,655
Estopped warrants			4,555
Total other financing sources (uses)			<u>6,210</u>
Revenue and other sources over (under) expenditures and other uses	(792,499)	(792,499)	(117,362)
Cash fund balance, beginning of year	<u>792,499</u>	<u>792,499</u>	<u>792,499</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>675,137</u>

The notes to the combined financial statements are an integral part of this statement

**INDEPENDENT SCHOOL DISTRICT NO. 1-29, LEFLORE
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - DEBT SERVICE FUNDS
JUNE 30, 2013**

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 521,838	521,838	545,052
Expenditures			
Other outlays			
Debt service	551,760	551,760	551,759
Revenues over (under) expenditures	(29,922)	(29,922)	(6,707)
Cash fund balance, beginning of year	29,922	29,922	29,922
Cash fund balance, end of year	\$ -	-	23,215

The notes to the combined financial statements are an integral part of this statement

**NOTES TO COMBINED FINANCIAL STATEMENTS -
REGULATORY BASIS**

INDEPENDENT SCHOOL DISTRICT NO. I-29, LEFLORE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Significant Accounting Policies

The basic financial statements of the Poteau Public Schools Independent District No. I-29 (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on state of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity. The Parent Teacher Association (PTA) is not included in the reporting entity. The District does not appoint any of the board members or exercise any oversight authority over the PTA.

INDEPENDENT SCHOOL DISTRICT NO. 1-29, LEFLORE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

1. **Summary of Significant Accounting Policies- contd.**

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

General Fund - The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

Special Revenue Fund - The special revenue funds are the District's building, co-op and child nutrition funds.

Building Fund - The building fund consists of monies derived property taxes levied for the purpose of erecting, remodeling, repairing, or maintaining school buildings and for purchasing furniture, equipment and computer software to be used on or for the school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

INDEPENDENT SCHOOL DISTRICT NO. I-29, LEFLORE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Significant Accounting Policies- contd.

B. Fund Accounting - contd.

Co-op Fund - The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs.

Child Nutrition Fund - The child nutrition fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the various nutrition programs provided to students.

Debt Service Fund - The debt service fund is the District's sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term (including judgments) debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

Capital Projects Funds - The capital projects fund is the District's bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

Proprietary Fund Types

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the District (internal service funds). The District has no proprietary fund types.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under a trust agreement, either a nonexpendable trust fund or an expendable trust fund is used depending on whether there is an obligation to maintain trust principal. Agency

INDEPENDENT SCHOOL DISTRICT NO. 1-29, LEFLORE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

1. **Summary of Significant Accounting Policies- contd.**

B. Fund Accounting - contd.

funds are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Expendable Trust Funds - Expendable trust funds include the gifts fund, medical insurance fund, workers compensation fund and the insurance recovery fund. The District did not maintain any expendable trust funds during the 2012-13 fiscal year.

Gifts Fund - The gifts fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District.

Medical Insurance Fund - The medical insurance fund accounts for revenues and expenditures for all types of self-funded medical insurance coverage.

Workers Compensation Fund - The workers compensation fund accounts for revenues and expenditures for workers compensation claims.

Insurance Recovery Fund - The insurance recovery fund accounts for all types of insurance recoveries, major reimbursements and reserves for property repairs and replacements.

Nonexpendable Trust Fund -- Nonexpendable trust funds account for restricted resources where the District is under an obligation to maintain the trust principal.

Agency Fund - The agency fund is the school activities fund which is used to account for monies collected principally through fundraising efforts of the student and District-sponsored groups. The administration is responsible, under the authority of the Board, in collecting, disbursing and accounting for these activity funds.

Account Group

Account groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and fixed assets.

General Long-Term Debt Account Group - This account group was established to account for all long-term debt of the District, which is offset by the amount available in the debt

INDEPENDENT SCHOOL DISTRICT NO. I-29, LEFLORE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

1. **Summary of Significant Accounting Policies- contd.**

B. *Fund Accounting* - contd.

service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for other liabilities (judgments and lease purchases), which are to be paid from funds provided in future years.

General Fixed Assets Account Group - This account group is used by governments to account for the property, plant and equipment of the school district. The District does not have the information necessary to include this group in its financial statements.

Memorandum Only - Total Column

The total column on the combined financial statements - regulatory basis is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. *Basis of Accounting and Presentation*

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education (OSDE) as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

INDEPENDENT SCHOOL DISTRICT NO. 1-29, LEFLORE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

1. **Summary of Significant Accounting Policies- contd.**

C. Basis of Accounting and Presentation – contd.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which requires revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the first Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate.

The District may upon approval by a majority of the electors of the District voting on the question make the ad valorem levy for emergency levy and local support levy permanent.

Under current Oklahoma Statutes, a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

E. Assets, Liabilities and Fund Equity

Cash - Cash consists of cash on hand, demand deposit accounts, and interest bearing checking accounts.

Investments - Investments consist of direct obligations of the United States Government and agencies; certificates of deposit of savings and loan associations, bank and trust companies; savings accounts or savings certificates of savings and loan associations, and trust companies; and warrants, bonds or judgments of the district. All investments are recorded at cost, which approximates market value.

INDEPENDENT SCHOOL DISTRICT NO. I-29, LEFLORE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Significant Accounting Policies- contd.

E. Assets, Liabilities and Fund Equity – contd.

Inventories - The value of consumable inventories at June 30, 2013 is not material to the combined financial statements-regulatory basis.

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset Account Group is not presented.

Warrants Payable - Warrants are issued to meet the obligations for goods and services provided to the District. The District recognizes a liability for the amount of outstanding warrants that have yet to be redeemed by the District's treasurer.

Encumbrances - Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the District for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year end in accordance with the regulatory basis of accounting.

Unmatured Obligations - The unmatured obligations represent the total of all annual accruals for both principal and interest, based on the lengths of the bonds and/or judgments, less all principal and interest payments through the balance sheet date in accordance with the regulatory basis of accounting.

Funds Held for School Organizations - Funds held for school organizations represent the funds received or collected from students or other co-curricular and extracurricular activities conducted in the district, control over which is exercised by the board of education. These funds are credited to the account maintained for the benefit of each particular activity within the school activity fund.

Long-Term Debt - Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Cash Fund Balance - Cash fund balance represents the funds not encumbered by purchase order, legal contracts, outstanding warrants and unmatured obligations.

INDEPENDENT SCHOOL DISTRICT NO. I-29, LEFLORE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Significant Accounting Policies- contd.

F. Revenue and Expenditures

Local Revenues - Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. These property taxes are distributed to the District's general, building and sinking funds based on the levies approved for each fund. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Other local sources of revenues include interest earnings, tuition, fees, rentals, disposals, commissions and reimbursements.

Intermediate Revenues - Revenue from intermediate sources is the amount of money from funds collected by an intermediate administrative unit, or a political subdivision between the district and the state, and distributed to districts in amounts that differ in proportion to those which were collected within such systems.

State Revenues - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the Districts.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

INDEPENDENT SCHOOL DISTRICT NO. 1-29, LEFLORE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

1. **Summary of Significant Accounting Policies- contd.**

F. Revenue and Expenditures- contd.

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires categorical educational program revenues be accounted for in the general fund.

The aforementioned state revenues are apportioned to the District's general fund.

Federal Revenues - Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass-through from another government, such as the state.

An entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes.

The majority of the federal revenues received by the District are apportioned to the general fund. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there. .

Non-Revenue Receipts - Non-revenue receipts represent receipts deposited into a fund that are not new revenues to the District, but the return of assets.

Instruction Expenditures - Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.), which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

**INDEPENDENT SCHOOL DISTRICT NO. 1-29, LEFLORE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

1. Summary of Significant Accounting Policies- contd.

F. Revenue and Expenditures - contd.

Support Services Expenditures - Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services and enterprise programs, rather than as entities within themselves.

Operation of Non-Instructional Services Expenditures - Activities concerned with providing non-instructional services to students, staff or the community.

Facilities Acquisition and Construction Services Expenditures - Consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvement to sites.

Other Outlays/Uses Expenditures - A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest) when applicable. Other uses include scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditure for self-funded employee benefit programs administered either by the District or a third party administrator.

Repayment Expenditures - Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayment, non-qualified expenditures and other refunds to be repaid from District funds.

Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditure/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There were no transfers in the current year.

INDEPENDENT SCHOOL DISTRICT NO. I-29, LEFLORE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

2. Deposits and Investments

Custodial Credit Risk

At June 30, 2013, the District held deposits of approximately \$6,190,211 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposits or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipations notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

INDEPENDENT SCHOOL DISTRICT NO. I-29, LEFLORE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

2. Deposits and Investments – cont'd

The investments held at June 30, 2013 are as follows:

Type	Weighted Average Maturity (Months)	Market Value	Cost
Investments			
Money Market		\$ 0	\$ 0
Municipal tax-supported money judgments		0	0
Certificate of Deposit	3	<u>1,000,000</u>	<u>1,000,000</u>
Total investments		<u>\$ 1,000,000</u>	<u>\$1,000,000</u>

Concentration of Investment Credit Risk

The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 0% in Money Market funds, 0% in Municipal tax-supported money judgments and 100% in CDs (\$1,000,000).

3. General Long-term Debt

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues can be approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years of the date of issue.

General long-term debt of the District consists of bonds payable and a capital lease. Debt service requirements for bonds are payable solely from the fund balance and the future revenues of the debt service fund.

INDEPENDENT SCHOOL DISTRICT NO. 1-29, LEFLORE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

3. General Long-term Debt – contd.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2013:

	Bonds Payable	Capital Leases	Totals
Balance, July 1, 2012	\$ 2,275,000	1,040,241	3,315,241
Additions			-
Retirements	510,000	191,241	701,241
Balance, June 30, 2013	<u>\$ 1,765,000</u>	<u>849,000</u>	<u>2,614,000</u>

A brief description of the outstanding long-term debt at June 30, 2013 is set forth below:

	<u>Amount outstanding</u>
<u>General Obligation Bonds</u>	
Building Bonds, Series 2010A, original issue \$955,000, interest rate of 1.30-2.10%, due in annual installments of \$235,000 beginning on 7-01-12, final installment of \$250,000 on 7-01-15;	\$ 720,000
Building Bonds, Series 2010B, original issue \$1,280,000, interest rate of 1.80-2.40%, due in annual installments of \$320,000 beginning on 7-01-13, final installment on 7-01-16;	1,280,000
<u>Capital Leases</u>	
Lease purchase for equipment and capital improvements, dated 8-24-10, totaling \$1,000,000, interest rate of 6.88%, due in semi-annual principal and interest installments, beginning 2-24-11, final payment due 8-24-20;	<u>849,000</u>
Totals	<u>\$ 2,614,000</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-29, LEFLORE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

3. General Long-term Debt – contd.

The annual debt service requirements for the retirement of bond principal, and payment of interest are as follows:

Year ending June 30	Principal	Interest	Total
2014	\$ 555,000	36,990	591,990
2015	570,000	25,410	595,410
2016	320,000	14,400	334,400
2017	320,000	7,680	327,680
Total	<u>\$ 1,765,000</u>	<u>84,480</u>	<u>1,849,480</u>

There was \$73,093 interest paid on general long-term debt incurred during the current year.

The annual debt service requirements for capital lease principal, and interest are as follows:

Year ending June 30	Principal	Interest	Total
2014	\$ 83,000	55,556	138,556
2015	89,000	49,639	138,639
2016	95,000	43,310	138,310
2017	102,000	36,533	138,533
2018	108,000	29,309	137,309
Thereafter	372,000	39,491	411,491
Total	<u>\$ 849,000</u>	<u>253,838</u>	<u>1,102,838</u>

INDEPENDENT SCHOOL DISTRICT NO. I-29, LEFLORE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

4. Employee Retirement System

Plan Description

The District participates in the state-administered Oklahoma Teachers' Retirement Plan, a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the board of trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, OK 73152 or by calling (405) 521-2387.

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Beginning, July 1, 2010, the District and State were required to contribute 14.5% of applicable compensation. Contributions received by the System are from a percentage of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% beginning January 1, 2010 and the State of Oklahoma contributed the remaining 5.0% during the year. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. In addition, the District is required to match the retirement paid on salaries that are funded with federal funds.

**INDEPENDENT SCHOOL DISTRICT NO. I-29, LEFLORE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

4. Employee Retirement System – contd.

Annual Pension Cost

The District's portion of the total contributions for 2013, 2012 and 2011 were \$812,718, \$887,662, and \$817,876 respectively.

The employer contribution rates are established by the Oklahoma Legislature and are less than the annual required contribution, which is performed to determine the adequacy of such contribution rates.

5. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

6. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

7. Subsequent Events

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

**OTHER SUPPLEMENTARY INFORMATION – REGULATORY
BASIS - COMBINING FINANCIAL STATEMENTS**

INDEPENDENT SCHOOL DISTRICT NO. 1-29, LEFLORE
COMBINING STATEMENT OF ASSETS, LIABILITIES AND
FUND EQUITY - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2013

<u>ASSETS</u>	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>COOP FUND</u>	<u>TOTALS</u> (Memorandum Only)	
				<u>2013</u>	<u>2012</u>
Cash	\$ 688,695	430,920	6,244	1,125,859	888,041
Investments				-	-
Total assets	<u>688,695</u>	<u>430,920</u>	<u>6,244</u>	<u>1,125,859</u>	<u>888,041</u>
 <u>LIABILITIES AND FUND EQUITY</u>					
Liabilities					
Warrants payable		66,801	6,244	73,045	78,246
Encumbrances	353,255	24,422		377,677	17,296
Total liabilities	<u>353,255</u>	<u>91,223</u>	<u>6,244</u>	<u>450,722</u>	<u>95,542</u>
Fund Equity					
Cash fund balances	335,440	339,697	-	675,137	792,499
Total Liabilities and Fund Equity	<u>\$ 688,695</u>	<u>430,920</u>	<u>6,244</u>	<u>1,125,859</u>	<u>888,041</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-29, LEFLORE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2013

	BUILDING FUND	CHILD NUTRITION FUND	COOP FUND	TOTALS (Memorandum Only)	
				2013	2012
Revenues					
Local sources	\$ 297,536	326,777	10,410	634,723	631,399
State sources		89,959	55,920	145,879	164,098
Federal sources		708,818		708,818	690,791
Non-revenue receipts		237		237	1,001
Total revenues	<u>297,536</u>	<u>1,125,791</u>	<u>66,330</u>	<u>1,489,657</u>	<u>1,487,289</u>
Expenditures					
Instruction			66,330	66,330	43,202
Support services	395,957			395,957	87,095
Operation of non-instructional services		1,147,633		1,147,633	1,063,290
Facilities, acquisition and const. services	2,970			2,970	128,677
Other outlays		195		195	668
Repayments		144		144	329
Total expenditures	<u>398,927</u>	<u>1,147,972</u>	<u>66,330</u>	<u>1,613,229</u>	<u>1,323,261</u>
Revenues over (under) expenditures	(101,391)	(22,181)	-	(123,572)	164,028
Other financing sources (uses)					
Lapsed appropriations	861	794		1,655	84,221
Estopped warrants		4,555		4,555	-
Total other financing sources (uses)	<u>861</u>	<u>5,349</u>	<u>-</u>	<u>6,210</u>	<u>84,221</u>
Revenue and other sources over (under) expenditures and other uses	(100,530)	(16,832)	-	(117,362)	248,249
Cash fund balance, beginning of year	<u>435,970</u>	<u>356,529</u>	<u>-</u>	<u>792,499</u>	<u>544,250</u>
Cash fund balance, end of year	<u>\$ 335,440</u>	<u>339,697</u>	<u>-</u>	<u>675,137</u>	<u>792,499</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-29, LEFLORE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
- REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS
JUNE 30, 2013

	BUILDING FUND		CHILD NUTRITION FUND				CO-OP FUND	
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET
Revenues								
Local sources	\$ 271,267	271,267	297,536	\$ 313,178	313,178	326,777	54,633	66,330
State sources				93,332	93,332	89,959		
Federal sources				636,025	636,025	708,818		
Non-revenue receipts						237		
Total revenues	271,267	271,267	297,536	1,042,535	1,042,535	1,125,791	54,633	66,330
Expenditures								
Instruction							54,633	66,330
Support services	459,850	459,850	395,957					
Operation of non-instructional services				1,397,514	1,397,514	1,147,633		
Facilities acquisitions and construction	247,387	247,387	2,970					
Other outlays				300	300	195		
Repayments				1,250	1,250	144		
Total expenditures	707,237	707,237	398,927	1,399,064	1,399,064	1,147,972	54,633	66,330
Revenues over (under) expenditures	(435,970)	(435,970)	(101,391)	(356,529)	(356,529)	(22,181)	-	-
Other financing sources (uses)								
Lapsed appropriations			861			794		
Estopped warrants						4,555		
Total other financing sources (uses)			861			5,349		
Revenue and other sources over (under) expenditures and other uses			(100,530)			(16,832)		
Cash fund balance, beginning of year	435,970	435,970	435,970	356,529	356,529	356,529	-	-
Cash fund balance, end of year	\$ -	-	335,440	\$ -	-	339,697	\$ -	-

**INDEPENDENT SCHOOL DISTRICT NO. I-29, LEFLORE
COMBINING STATEMENT OF ASSETS, LIABILITIES AND
FUND EQUITY - REGULATORY BASIS - ALL FIDUCIARY FUND TYPES
JUNE 30, 2013**

	AGENCY FUNDS	
	ACTIVITY FUNDS	
	2013	2012
<u>ASSETS</u>		
Cash	\$ 289,788	209,764
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities		
Funds held for school organizations	\$ 289,788	209,764

INDEPENDENT SCHOOL DISTRICT NO. 1-29, LEFLORE
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Activities</u>	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Net</u> <u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
General Activity	\$ 23,830	10,603		18,403	16,030
PPS Library	15	-		-	15
UES General Activity	9,281	21,749		20,186	10,844
UES Special Olympics	1,190	2,338		1,921	1,607
PKMS General Activity	4,731	26,646		20,362	11,015
PKMS Athletic	20,806	17,811		12,401	26,216
PKMS Academic Bowl	1,341	319		675	985
PKMS Band	2,178	740		628	2,290
PKMS Cheerleading	3,795	2,200		2,984	3,011
PKMS Concession	1	7,307		6,527	781
PKMS FCCLA	1,301	1,222		1,529	994
PKMS Library	2,731	106		135	2,702
PKMS Math Counts	545	172		-	717
PKMS NJHS	2,605	1,912		2,436	2,081
PKMS Picture Book	643	6,258		-	6,901
PKMS Science Book	1,313	910		1,072	1,151
PKMS Student Council	3,025	1,337		2,478	1,884
PKMS Tech Ed	946	495		567	874
PKMS Art	2,975	542		-	3,517
PKMS Reading Club	3,849	2,647		1,963	4,533
PKMS Vocal	1,158	702		525	1,335
PHS Art	1,008	287		562	733
PHS Athletic	2,498	115,624		100,983	17,139
PHS Band	1,318	41,225		39,755	2,788
PHS Junior Class	1,586	8,607		8,278	1,915
PHS Senior Class	661	1,200		1,336	525
PHS Varsity Cheerleading	5,275	8,590		9,937	3,928
PHS 9th Grade Cheerleading	2,924	1,132		1,922	2,134
PHS FFA	4,563	60,116		61,528	3,151
PHS FCCLA	2,074	2,365		1,889	2,550
PHS Library	2,131	1,598		2,006	1,723
PHS Mat Maids	2,563	292		1,249	1,606
PHS Honor Society	783	1,402		1,370	815
PHS General Activity	22,504	14,754		11,786	25,472
PHS Publications	7,301	15,906		12,349	10,858
PHS Student Council	\$ 4,769	4,014		3,541	5,242

INDEPENDENT SCHOOL DISTRICT NO. 1-29, LEFLORE
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Activities</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Net Transfers</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
PHS Thespians	\$ 11,884	25,815		28,027	9,672
PHS Vocal/Concession	3,736	13,124		11,530	5,330
PHS Jackets	1,137	8,441		8,427	1,151
PHS Photography	176	172		-	348
PHS Chip in Club	1,400	6,905		3,346	4,959
PHS Academic Bowl	200	172		40	332
PHS Dance Team	6,990	12,300		14,106	5,184
PHS Football Fundraiser	-	21,437		11,943	9,494
PHS Chess Club	-	329		328	1
PHS Science Club	-	989		723	266
Banquet/Admin	1,987	443		2,282	148
Drug Education/Admin	50	1,139		1,009	180
Holding/Admin	-	18,413		18,413	-
Lost Books/Admin	-	1,614		1,549	65
Miscellaneous/Admin	8,319	3,365		2,708	8,976
Flower Fund	3,616	1,605		1,357	3,864
Native American Club	271	1,172		-	1,443
Athletic Director	2,341	-		1,540	801
FACES Community	16,382	54,463		14,404	56,441
Leflore County School	1,058	1,000		987	1,071
TOTAL ASSETS - AGENCY FUNDS	209,764	556,026	-	476,002	289,788

LIABILITIES AND FUND EQUITY

Funds held for school organizations	\$ 209,764	556,026	-	476,002	289,788
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INDEPENDENT SCHOOL DISTRICT NO. 1-29, LEFLORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass Through Grantor/Program Title	Federal Grantor's/ Pass-through		Program or Award Amount	Beginning Balance 7/01/2012	Revenue Collected	Total Expenditures	Ending Balance 6/30/2013
	Federal CFDA Number	Grantor's Number					
<u>U.S. Department of Education</u>							
Direct Programs:							
Title VII-Part A, Indian Education	84.060	S060A110143	\$ 147,028		147,023	147,023	
Title VII-Part A, Indian Education 2011-12 - Note 1	84.060	S060A100143		(1,379)	1,379		
Subtotal			147,028	(1,379)	148,402	147,023	-
<u>Passed Through State Department of Education:</u>							
* Title I-Part A, Improving Basic Programs	84.010		533,032		429,280	482,604	(53,324)
Title I-Part A, Improving Basic Programs 2011-12 - Note 1	84.010			(30,875)	30,875		
* Title I-Part C, Migrant Incentive	84.011		15,031		15,031	15,031	
* Title II-Part A (Transferability)	84.010		48,740		48,740	48,740	
Title II-Part A, Teacher & Principal Training	84.367		77,659		43,546	45,309	(1,763)
Title II-Part A 2011-12 - Note 1	84.367			(5,349)	5,349		
Title III-Part A English Language Acquisition	84.365		19,258		3,636	19,252	(19,252)
Title III-Part A English Language Acquisition 2011-12 - Note 1	84.365			(3,636)	3,636		
Special Education, Flowthrough, P.L. 105-17	84.027		481,277		449,024	460,896	(11,872)
Special Education, Flowthrough 2011-12 - Note 1	84.027			(255)	255		
Special Education, Early Intervening	84.027		33,542		11,013	11,013	
Special Education, Early Intervening 2011-12 - Note 1	84.027			(5,196)	5,196		
Special Education, Discretionary 2011-12 - Note 1	84.027			(4,994)	4,994		
Special Education, Preschool, Ages 3-5, P.L. 105-17	84.173		23,391		10,799	10,799	
Title IV-Part B, 21st Century	84.287		143,158		117,378	143,121	(25,743)
Title IV-Part B, 21st Century 2011-12 - Note 1	84.287			(32,577)	32,577		
* Adult Basic Education	84.002		178,629		121,726	147,672	(25,946)
Adult Basic Education 2011-12 - Note 1	84.002			(48,149)	48,149		
* Adult Basic Education - Corrections/Institutions	84.002		5,774			5,774	(5,774)
Subtotal			1,559,491	(131,031)	1,377,568	1,390,211	(143,674)
<u>Department of Health and Human Services</u>							
Drug Free Community	93.276		199,647		79,587	131,592	(52,005)
Drug Free Community 2011-12 - Note 1	93.276			(39,198)	39,198		
Subtotal			\$ 199,647	(39,198)	118,785	131,592	(52,005)

INDEPENDENT SCHOOL DISTRICT NO. 1-29, LEFLORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2012	Revenue Collected	Total Expenditures	Ending Balance 6/30/2013
<u>Passed Through State Department of Career and Technology Education:</u>							
Carl Perkins Grant	84.048		\$ 23,720			22,184	(22,184)
Rehabilitation Services	84.126		11,499		7,571	11,499	(3,928)
Rehabilitation Services 2011-12 - Note 1	84.126			(3,779)	3,779		-
Subtotal			35,219	(3,779)	11,350	33,683	(26,112)
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education:</u>							
* Child Nutrition Cluster:							
Non-Cash Assistance (Commodities):							
National School Lunch Program	10.555				38,083	38,083	
Non-Cash Assistance Subtotal					38,083	38,083	
Cash Assistance:							
National School Lunch Program	10.555				485,822	485,822	
School Breakfast Program	10.553				205,736	205,736	
Summer Food Program	10.559				19,143	19,143	(19,143)
Summer Food Program 2011-12 - Note 1	10.559			(17,260)	17,260		
Cash Assistance Subtotal				(17,260)	708,818	710,701	(19,143)
Total For Program (Cluster)				(17,260)	746,901	748,784	(19,143)
<u>Other Federal Assistance:</u>							
Johnson O'Malley	15.130		35,490		18,589	32,244	(13,655)
Johnson O'Malley 2011-12 - Note 1	15.130			(4,947)	4,947		
Medicaid	93.778		85,904		85,904	85,904	
Flood Control	12.112		1,297		1,297	1,297	
Subtotal			122,691	(4,947)	110,737	119,445	(13,655)
Total Federal Assistance			\$ 1,864,429	(197,594)	2,513,743	2,570,738	(254,589)
* Major federal programs							

Note 1 - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 2 - Commodities received by the District in the amount of \$38,083 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - This schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements.

**INDEPENDENT SCHOOL DISTRICT I-29, LEFLORE COUNTY
SCHEDULE OF SURETY BONDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
Western Surety Company	Treasurer	61084518	\$500,000	7/1/12-7/1/13
	Assistant Treasurer	61084518	\$500,000	7/1/12-7/1/13
	Superintendent	61084518	\$100,000	7/1/12-7/1/13
	Minutes Clerk	61084518	\$25,000	7/1/12-7/1/13
	Encumbrance Clerk	61084518	\$25,000	7/1/12-7/1/13
	Activity Fund Custodian	61084518	\$25,000	7/1/12-7/1/13



Jack H. Jenkins, CPA *A Professional Corporation*

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS - REGULATORY BASIS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Board of Education
Poteau School District No. I-029
Poteau, Oklahoma 74953-2602

I have audited the regulatory basis financial statements of Poteau School District No. I-029, Poteau, Oklahoma, as of and for the year ended June 30, 2013, and have issued my report thereon, dated September 27, 2013. The audit opinion was adverse to generally accepted accounting principles because the District prepares its financial statements on a basis of accounting prescribed by the Oklahoma State Department of Education that complies with the cash and budget laws of Oklahoma, which is a comprehensive basis of accounting other than generally accepted accounting principles and qualified as to the preparation of financial statements prepared on that basis. I conducted my audit in accordance with generally accepted auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the combined financial statements - regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

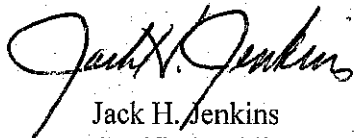
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. There can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted a certain matter that I have reported to the District's management in a separate letter dated September 27, 2013.

This report is intended solely for the information of the school board, management, Oklahoma State Auditor and Inspector's Office and the Oklahoma State Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.



Jack H. Jenkins
Certified Public Accountant, P.C.

September 27, 2013



Jack H. Jenkins, CPA *A Professional Corporation*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

The Honorable Board of Education
Poteau School District No. I-029
Poteau, Oklahoma 74953-2602

Compliance

I have audited the compliance of Poteau School District No. I-029, Poteau, Oklahoma, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. My responsibility is to express an opinion on the District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the District's compliance with those requirements.

In my opinion, Poteau School District No. I-029, Poteau, Oklahoma complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2013. The results of my auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Poteau School District No. I-029, Poteau, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with requirements of laws,

regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information of the board of education and management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be, and should not be, used by anyone other than these specified parties.



Jack H. Jenkins
Certified Public Accountant, P.C.

September 27, 2013

INDEPENDENT SCHOOL DISTRICT NO. 1-29, LEFLORE COUNTY

JULY 1, 2012 TO JUNE 30, 2013

The annual independent audit for Poteau School District was presented to the Board of Education in an Open Board Meeting as indicated below, by Jack H. Jenkins, CPA, P.C.


The School Board acknowledges that as the governing body of the district, responsible for the districts financial and compliance operations, the audit findings and exceptions have been presented to them.


A copy of the audit, including this acknowledgement form, will be sent to the Oklahoma State Department of Education within 30 days from it's presentation, as stated in 70 O.S. § 22-108:

“The local board of education shall forward a copy of the audit report to the State Board of Education within thirty (30) days after receipt of said audit.”

Don Sydney
Superintendent of Schools

11/11/13
Date of Board Meeting


Board of Education President


Board of Education Clerk

Board of Education Vice President

Rashid Ali
Board of Education Member

Deanne Williams
Board of Education Member

Subscribed and sworn to before me on this 8 day of Nov, 2013.
My commission expires on 20 day of Nov, 2013.

Karla Jenkins
Notary Public

Affix Notary Seal





Jack H. Jenkins, CPA *A Professional Corporation*

September 27, 2013

Poteau Public Schools
Attn: Mr. Jeremy Quarry
100 Mockingbird Lane
Poteau, OK 74953-2602

Dear Mr. Quarry:

Listed below is an audit exception and recommendation relayed to management that is a certain matter which was not included, but was referred to, in the audit report. Please review this comment carefully. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

Federal Program Expenditures

I observed that the District had a few discrepancies between the amounts coded to Federal Programs and the amounts reimbursed. The following is a schedule of the differences observed with explanation for each:

	Project	Exp Summ	SEFA	Ind. Cost	Diff.
Johnson O'Malley	563	\$ 32,562.20	32,243.20	-	(319.00) *1

Explanations:

*1-Coded but not reimbursed by program.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,

Jack H. Jenkins
Certified Public Accountant, P.C.

**Poteau Public School District
LeFlore County**

**2012-2013 Audit Findings
Corrective Action Plan**

Audit Exception: Federal Program Expenditures

Contact Person: Don Sjoberg, Superintendent
Jeremy Quarry, Director of Finance

Steps Implemented: Johnson O'Malley student supplies have been provided to students prior to the first day of school in the past. In the 2012-2013 school year some of the students that were provided supplies never enrolled in Poteau Public Schools. Because the students were not listed as our students we could not be reimbursed for those supplies. We have changed the procedure, so that we distribute Johnson O'Malley supplies on the first day of school to ensure that all students who are provided supplies are enrolled in Poteau Schools.